

AMENDED IN SENATE AUGUST 30, 2011
AMENDED IN SENATE JULY 13, 2011
AMENDED IN SENATE JUNE 29, 2011
AMENDED IN ASSEMBLY MAY 27, 2011
AMENDED IN ASSEMBLY MAY 18, 2011
AMENDED IN ASSEMBLY MARCH 16, 2011
AMENDED IN ASSEMBLY FEBRUARY 23, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 56

Introduced by Assembly Member Hill

December 6, 2010

An act to add ~~Chapter 4.5 (commencing with Section 950) to Part 1 of Division 1 of Sections 956.5, 957, 958, 958.5, 959, and 969 to the Public Utilities Code, relating to gas corporations.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 56, as amended, Hill. Gas corporations: rate recovery and expenditure: intrastate pipeline safety.

(1) Under existing law, the Public Utilities Commission has regulatory authority over public utilities, *including gas corporations, as defined*. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable.

This bill would prohibit a gas corporation from recovering any fine or penalty in any rate approved by the commission. The bill would

require a gas corporation to file semiannual gas transmission and storage safety reports with the commission's consumer protection safety division that include certain matter and require that if the division determines that there is a deficiency in a gas corporation's prioritization or administration of the storage or pipeline capital projects or operation and maintenance activities, to bring the deficiency to the commission's immediate attention. ~~If the commission authorizes a gas corporation to recover expenses incurred for public safety, the bill would require the commission to require the gas corporation to establish and maintain a balancing account to record the difference between the approved revenue requirements for public safety and the actual expenditures made by the utility. The bill would require a gas corporation to return moneys approved for expenditure for public safety by the commission to the balancing account, if those funds are not expended within a reasonable period of time after the commission grants approval of the public safety expenditure, as determined by the commission.~~ The bill would require the commission, in any ratemaking proceeding in which the commission authorizes a gas corporation to recover expenses for a federal transmission pipeline integrity management program, or for capital expenditures for the maintenance and repair of transmission pipelines, to require the gas corporation to establish and maintain a one-way balancing account for the recovery of those expenses.

(2) The Public Utilities Act authorizes the commission to ascertain and fix just and reasonable standards, classifications, regulations, practices, measurements, or service to be furnished, imposed, observed, and followed by specified public utilities, including gas corporations; ~~as defined.~~

Existing federal law requires the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) to adopt minimum safety standards for pipeline transportation and for pipeline facilities, including an interstate gas pipeline facility and intrastate gas pipeline facility, as defined. Existing law authorizes the Secretary of Transportation to prescribe or enforce safety standards and practices for an intrastate pipeline facility or intrastate pipeline transportation to the extent that the safety standards and practices are regulated by a state authority that submits to the secretary annually a certification for the facilities and transportation or alternatively authorizes the secretary to make an agreement with a state authority authorizing it to take necessary action to meet certain pipeline safety requirements. Existing law prohibits a state authority from adopting or

continuing in force safety standards for interstate pipeline facilities or interstate pipeline transportation. Existing law authorizes a state authority that has submitted a current certification to adopt additional or more stringent safety standards for intrastate pipeline facilities and intrastate pipeline transportation only if those standards are compatible with the minimum standards prescribed by PHMSA.

~~This bill would designate the commission as the state authority responsible for development, submission, and administration of a state pipeline safety program certification for natural gas pipelines. The bill would require owners and operators of intrastate transmission and distribution lines *for natural gas*, at least once each calendar year, to meet with each local fire department having fire suppression responsibilities in the area served by the owner or operator's transmission and distribution pipelines where those lines are located to discuss and review contingency plans for emergencies involving the intrastate transmission and distribution lines within the jurisdiction of the local fire department. The bill would require the commission, unless it determines that doing so is preempted under federal law, to require the installation of automatic shutoff or remote controlled sectionalized block valves on certain intrastate transmission lines, as defined, specified. The bill would require each gas corporation to prepare and submit to the commission a proposed comprehensive pressure testing implementation plan that includes specified elements and require that, at the conclusion of an implementation period, all intrastate transmission line segments meet specified requirements.~~

(3) Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

(4) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 956.5 is added to the Public Utilities*
2 *Code, to read:*

3 *956.5. Owners and operators of intrastate transmission and*
4 *distribution lines, at least once each calendar year, shall meet*
5 *with each local fire department having fire suppression*
6 *responsibilities in the area where those lines are located to discuss*
7 *and review contingency plans for emergencies involving the*
8 *intrastate transmission and distribution lines within the jurisdiction*
9 *of the local fire department.*

10 *SEC. 2. Section 957 is added to the Public Utilities Code, to*
11 *read:*

12 *957. (a) (1) Unless the commission determines that it is*
13 *prohibited from doing so by Section 60104(c) of Title 49 of the*
14 *United States Code, the commission shall require the installation*
15 *of automatic shutoff or remote controlled sectionalized block valves*
16 *on both of the following facilities, if it determines those valves are*
17 *necessary for the protection of the public:*

18 *(A) Intrastate transmission lines that are located in a high*
19 *consequence area.*

20 *(B) Intrastate transmission lines that traverse an active seismic*
21 *earthquake fault.*

22 *(2) Each owner or operator of a commission-regulated gas*
23 *pipeline facility that is an intrastate transmission line shall provide*
24 *the commission with a valve location plan, along with any*
25 *recommendations for valve locations. The commission may make*
26 *modifications to the valve location plan or provide for variations*
27 *from any location requirements adopted by the commission*
28 *pursuant to this section that it deems necessary or appropriate*
29 *and consistent with protection of the public.*

30 *(3) The commission shall additionally establish action timelines,*
31 *adopt standards for how to prioritize installation of automatic*
32 *shutoff or remote controlled sectionalized block valves pursuant*
33 *to paragraph (1), ensure that remote and automatic shutoff valves*
34 *are installed as quickly as is reasonably possible, and establish*
35 *ongoing procedures for monitoring progress in achieving the*
36 *requirements of this section.*

1 (b) The commission shall authorize recovery in rates for all
2 reasonably incurred costs incurred for implementation of the
3 requirements of this section.

4 (c) The commission, in consultation with the Pipeline and
5 Hazardous Materials Safety Administration of the United States
6 Department of Transportation, shall adopt and enforce compatible
7 safety standards for commission-regulated gas pipeline facilities
8 that the commission determines should be adopted to implement
9 the requirements of this section.

10 SEC. 3. Section 958 is added to the Public Utilities Code, to
11 read:

12 958. (a) Each gas corporation shall prepare and submit to
13 the commission a proposed comprehensive pressure testing
14 implementation plan for all intrastate transmission lines to either
15 pressure test those lines or to replace all segments of intrastate
16 transmission lines that were not pressure tested or that lack
17 sufficient details related to performance of pressure testing. The
18 comprehensive pressure testing implementation plan shall provide
19 for testing or replacing all intrastate transmission lines as soon
20 as practicable. The comprehensive pressure testing implementation
21 plan shall set forth criteria on which pipeline segments were
22 identified for replacement instead of pressure testing.

23 (b) The comprehensive pressure testing implementation plan
24 shall include a timeline for completion that is as soon as
25 practicable, and includes interim safety enhancement measures,
26 including increased patrols and leak surveys, pressure reductions,
27 prioritization of pressure testing for critical pipelines that must
28 run at or near maximum allowable operating pressure values that
29 result in hoop stress levels at or above 30 percent of specified
30 minimum yield stress, and any other measure that the commission
31 determines will enhance public safety during the implementation
32 period. Engineering-based assumptions may be used to determine
33 maximum allowable operating pressure in the absence of complete
34 records, but only as an interim measure until such time as all the
35 lines have been tested or replaced, in order to allow the gas system
36 to continue to operate.

37 (c) At the completion of the implementation period, all
38 California natural gas intrastate transmission line segments shall
39 meet all of the following:

40 (1) Have been pressure tested.

1 (2) *Have traceable, verifiable, and complete records readily*
2 *available.*

3 (3) *Where warranted, be capable of accommodating in-line*
4 *inspection devices.*

5 SEC. 4. *Section 958.5 is added to the Public Utilities Code, to*
6 *read:*

7 958.5. (a) *Each gas corporation shall, twice a year, file with*
8 *the commission's consumer protection safety division a gas*
9 *transmission and storage safety report. The consumer protection*
10 *safety division shall review the reports to monitor each gas*
11 *corporation's storage and pipeline-related activities to assess*
12 *whether the projects that have been identified as high risk are*
13 *being carried out, and to track whether the gas corporation is*
14 *spending its allocated funds on these storage and pipeline-related*
15 *safety, reliability, and integrity activities for which they have*
16 *received approval from the commission.*

17 (b) *The gas transmission and storage safety report shall include*
18 *a thorough description and explanation of the strategic planning*
19 *and decisionmaking approach used to determine and rank the gas*
20 *storage projects, intrastate transmission line safety, integrity, and*
21 *reliability, operation and maintenance activities, and inspections*
22 *of its intrastate transmission lines. If there has been no change in*
23 *the gas corporation's approach for determining and ranking which*
24 *projects and activities are prioritized since the previous gas*
25 *transmission and storage safety report, the subsequent report may*
26 *reference the immediately preceding report.*

27 (c) *If the commission's consumer protection safety division*
28 *determines that there is a deficiency in a gas corporation's*
29 *prioritization or administration of the storage or pipeline capital*
30 *projects or operation and maintenance activities, the division shall*
31 *bring the problems to the commission's immediate attention.*

32 SEC. 5. *Section 959 is added to the Public Utilities Code, to*
33 *read:*

34 959. (a) *A gas corporation shall not recover any fine or penalty*
35 *in any rate approved by the commission.*

36 (b) *Each gas corporation shall demonstrate to the satisfaction*
37 *of the commission, in its general rate case, that its proposed rates*
38 *will be sufficient to enable the gas corporation to fund those*
39 *projects and activities necessary to maintain safe and reliable*

1 service and to meet federal and state safety requirements
2 applicable to its gas plant, in a cost-effective manner.

3 SEC. 6. Section 969 is added to the Public Utilities Code, to
4 read:

5 969. In any ratemaking proceeding in which the commission
6 authorizes a gas corporation to recover expenses for the gas
7 corporation's transmission pipeline integrity management program
8 established pursuant to Subpart O (commencing with Section
9 192.901) of Part 192 of Title 49 of the United States Code, or for
10 capital expenditures for the maintenance and repair of transmission
11 pipelines, the commission shall require the gas corporation to
12 establish and maintain a one-way balancing account for the
13 recovery of those expenses. Any unspent funds in the form of
14 accumulated account balance at the end of each rate case cycle,
15 plus interest, shall be returned to customers through a true-up
16 filing.

17 SEC. 7. No reimbursement is required by this act pursuant to
18 Section 6 of Article XIII B of the California Constitution because
19 the only costs that may be incurred by a local agency or school
20 district will be incurred because this act creates a new crime or
21 infraction, eliminates a crime or infraction, or changes the penalty
22 for a crime or infraction, within the meaning of Section 17556 of
23 the Government Code, or changes the definition of a crime within
24 the meaning of Section 6 of Article XIII B of the California
25 Constitution.

26 SECTION 1. ~~Chapter 4.5 (commencing with Section 950) is~~
27 ~~added to Part 1 of Division 1 of the Public Utilities Code, to read:~~
28

29 CHAPTER 4.5. GAS PIPELINE SAFETY
30

31 Article 1. General
32

33 950. For purposes of this chapter, the following terms have the
34 following meanings:

35 (a) "Class 1 location," "class 2 location," "class 3 location,"
36 and "class 4 location" have the same meanings as defined in the
37 regulations adopted by the United States Department of
38 Transportation pursuant to Chapter 601 (commencing with Section
39 60101) of Subtitle VIII of Title 49 of the United States Code (49

~~C.F.R. 192.5, as adopted January 1, 2011, or a successor regulation).~~

~~(b) “Commission-regulated gas pipeline facility” means an intrastate gas pipeline facility as defined in Section 60101 of Title 49 of the United States Code, that is subject to the safety regulatory authority of the commission to the extent authorized between the commission and the United States Secretary of Transportation, including each of the following pipelines:~~

~~(1) An intrastate distribution line, which is a pipeline that is not subject to the jurisdiction of the Federal Energy Regulatory Commission pursuant to Section 717(b) of Title 15 of the United States Code because it is used for the local distribution of natural gas;~~

~~(2) An intrastate transmission line, which is a transmission pipeline that the commission, pursuant to Section 717(c) of Title 15 of the United States Code, has certified to the Federal Energy Regulatory Commission as being subject to the regulatory jurisdiction of the commission over rates and service. For these purposes, a transmission pipeline means a pipeline other than a gathering line that: (A) transports gas from a gathering line or storage facility to a distribution center, storage facility, or large volume customer that is not downstream from a distribution center, (B) operates at a hoop stress of 20 percent or more of specified maximum yield strength, or (C) transports gas within a storage field.~~

~~(3) An intrastate gathering line, which is a pipeline that transports gas from a current production facility to a transmission line or main.~~

~~(4) A mobilehome park master-metered natural gas distribution system that is subject to the commission’s safety inspection and enforcement program pursuant to Chapter 4 (commencing with Section 4351) of Division 2.~~

~~(5) A propane distribution system that is subject to the commission’s safety inspection and enforcement program pursuant to Chapter 4.1 (commencing with Section 4451) of Division 2.~~

~~(e) “High consequence area” has the same meaning as defined in the regulations adopted by the United States Department of Transportation pursuant to Chapter 601 (commencing with Section 60101) of Subtitle VIII of Title 49 of the United States Code (49~~

1 C.F.R. 192.903, as adopted January 1, 2011, or a successor
2 regulation).

3
4 Article 2. Natural Gas Pipeline Safety Act of 2011
5

6 955. (a) This article shall be known and may be cited as the
7 Natural Gas Pipeline Safety Act of 2011.

8 (b) The commission is the state authority responsible for
9 regulating and enforcing intrastate gas pipeline transportation and
10 pipeline facilities pursuant to Chapter 601 (commencing with
11 Section 60101) of Subtitle VIII of Title 49 of the United States
12 Code, including the development, submission, and administration
13 of a state pipeline safety program certification for natural gas
14 pipelines pursuant to Section 60105 of that chapter.

15 956. Owners and operators of intrastate transmission and
16 distribution lines, at least once each calendar year, shall meet with
17 each local fire department having fire suppression responsibilities
18 in the area served by the owner or operator's transmission and
19 distribution pipelines to discuss and review contingency plans for
20 emergencies involving the intrastate transmission and distribution
21 lines within the jurisdiction of the local fire department.

22 957. (a) (1) Unless the commission determines that it is
23 prohibited from doing so by subdivision (c) of Section 60104 of
24 Title 49 of the United States Code, the commission shall require
25 the installation of automatic shutoff or remote controlled
26 sectionalized block valves on both of the following facilities, if it
27 determines those valves are necessary for the protection of the
28 public:

29 (A) Intrastate transmission lines that are located in a high
30 consequence area.

31 (B) Intrastate transmission lines that traverse an active seismic
32 earthquake fault.

33 (2) Each owner or operator of a commission-regulated gas
34 pipeline facility that is an intrastate transmission line shall provide
35 the commission with a valve location plan, along with any
36 recommendations for valve locations. The commission may make
37 modifications to the valve location plan or provide for variations
38 from any location requirements adopted by the commission
39 pursuant to this section that it deems necessary or appropriate and
40 consistent with protection of the public.

~~(3) The commission shall additionally establish action timelines, adopt standards for how to prioritize installation of automatic shutoff or remote controlled sectionalized block valves pursuant to paragraph (1), ensure that remote and automatic shutoff valves are installed as quickly as is reasonably possible, and establish ongoing procedures for monitoring progress in achieving the requirements of this section.~~

~~(b) The commission shall authorize recovery in rates for all reasonably incurred costs incurred for implementation of the requirements of this section.~~

~~(c) The commission, in consultation with the Pipeline and Hazardous Materials Safety Administration of the United States Department of Transportation, shall adopt and enforce compatible safety standards for commission-regulated gas pipeline facilities that the commission determines should be adopted to implement the requirements of this section.~~

~~958. (a) Each gas corporation shall prepare and submit to the commission a proposed comprehensive pressure testing implementation plan for all intrastate transmission lines to either pressure test those lines or to replace all segments of intrastate transmission lines that were not pressure tested or that lack sufficient details related to performance of pressure testing. The comprehensive pressure testing implementation plan shall provide for testing or replacing all intrastate transmission lines as soon as practicable. The comprehensive pressure testing implementation plan shall set forth criteria on which pipeline segments were identified for replacement instead of pressure testing.~~

~~(b) The comprehensive pressure testing implementation plan shall include a timeline for completion that is as soon as practicable, and includes interim safety enhancement measures, including increased patrols and leak surveys, pressure reductions, prioritization of pressure testing for critical pipelines that must run at or near maximum allowable operating pressure values that result in hoop stress levels at or above 30 percent of specified minimum yield stress, and any other measure that the commission determines will enhance public safety during the implementation period. Engineering-based assumptions may be used to determine maximum allowable operating pressure in the absence of complete records, but only as an interim measure until such time as all the~~

1 lines have been tested or replaced, in order to allow the gas system
2 to continue to operate.

3 ~~(e) At the completion of the implementation period, all~~
4 ~~California natural gas intrastate transmission line segments shall~~
5 ~~meet all of the following:~~

6 ~~(1) Have been pressure tested.~~

7 ~~(2) Have traceable, verifiable, and complete records readily~~
8 ~~available.~~

9 ~~(3) Where warranted, be capable of accommodating in-line~~
10 ~~inspection devices.~~

11 959. ~~(a) Each gas corporation shall, twice a year, file with the~~
12 ~~commission's consumer protection safety division a gas~~
13 ~~transmission and storage safety report. The consumer protection~~
14 ~~safety division shall review the reports to monitor each gas~~
15 ~~corporation's storage and pipeline-related activities to assess~~
16 ~~whether the projects that have been identified as high risk are being~~
17 ~~carried out, and to track whether the gas corporation is spending~~
18 ~~its allocated funds on these storage and pipeline-related safety,~~
19 ~~reliability, and integrity activities for which they have received~~
20 ~~approval from the commission.~~

21 ~~(b) The gas transmission and storage safety report shall include~~
22 ~~a thorough description and explanation of the strategic planning~~
23 ~~and decisionmaking approach used to determine and rank the gas~~
24 ~~storage projects, intrastate transmission line safety, integrity, and~~
25 ~~reliability, operation and maintenance activities, and inspections~~
26 ~~of its intrastate transmission lines. If there has been no change in~~
27 ~~the gas corporation's approach for determining and ranking which~~
28 ~~projects and activities are prioritized since the previous gas~~
29 ~~transmission and storage safety report, the subsequent report may~~
30 ~~reference the immediately preceding report.~~

31 ~~(c) If the commission's consumer protection safety division~~
32 ~~determines that there is a deficiency in a gas corporation's~~
33 ~~prioritization or administration of the storage or pipeline capital~~
34 ~~projects or operation and maintenance activities, the division shall~~
35 ~~bring the problems to the commission's immediate attention.~~

36 968. ~~(a) A gas corporation shall not recover any fine or penalty~~
37 ~~in any rate approved by the commission.~~

38 ~~(b) Each gas corporation shall demonstrate to the satisfaction~~
39 ~~of the commission, in its general rate case, that its proposed rates~~
40 ~~will be sufficient to enable the gas corporation to fund those~~

1 projects and activities necessary to maintain safe and reliable
2 service and to meet federal and state safety requirements applicable
3 to its gas plant, in a cost-effective manner.

4 (e) If the commission authorizes a gas corporation to recover
5 expenses incurred for public safety, the commission shall require
6 the gas corporation to establish and maintain a balancing account
7 to record the difference between the approved revenue requirements
8 for public safety and the actual expenditures made by the utility.
9 A gas corporation shall return moneys approved for expenditure
10 for public safety by the commission, to the balancing account, if
11 those funds are not expended within a reasonable period of time
12 after the commission grants approval of the public safety
13 expenditure, as determined by the commission.

14 969. In any ratemaking proceeding in which the commission
15 authorizes a gas corporation to recover expenses for the gas
16 corporation's transmission pipeline integrity management program
17 established pursuant to Subpart O (commencing with Section
18 192.901) of Part 192 of Title 49 of the United States Code, or for
19 capital expenditures for the maintenance and repair of transmission
20 pipelines, the commission shall require the gas corporation to
21 establish and maintain a one-way balancing account for the
22 recovery of those expenses. Any unspent funds in the form of
23 accumulated account balance at the end of each rate-case cycle,
24 plus interest, shall be returned to customers through a true-up
25 filing.

26 SEC. 2. No reimbursement is required by this act pursuant to
27 Section 6 of Article XIII B of the California Constitution because
28 the only costs that may be incurred by a local agency or school
29 district will be incurred because this act creates a new crime or
30 infraction, eliminates a crime or infraction, or changes the penalty
31 for a crime or infraction, within the meaning of Section 17556 of
32 the Government Code, or changes the definition of a crime within
33 the meaning of Section 6 of Article XIII B of the California
34 Constitution.